A TREATISE

ON THE

CURRENCY AND THE EXCHANGES,

PROPOSING

A REMEDY

FOR

THE EVILS THAT EXIST IN RELATION TO THEM,

BY THE ESTABLISHMENT OF A

GENERAL EXCHANGE OFFICE,

WHICH SHALL ALSO BE THE

Fiscal Agent of Government.

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THE CURRENCY AND THE EXCHANGES.

The heavy losses, the bankruptcy and ruin, the great pecuniary distress, and the many other evils that have fallen upon the whole community, in consequence of an unstable and depreciated currency, and the derangement of the domestic exchanges, which I have seen and been conversant with, has, in realizing to me the great importance of this subject, directed my mind to the contemplation of it, in order to find out what measures should be adopted that would best accomplish the object had in view: viz.—*the maintaining a sound, uniform, and convenient currency, and the regulating our domestic exchanges upon a true and natural basis.*

The conclusions to which I have arrived are somewhat different from what I have seen any where else expressed in reference to what would be the most effectual plan of accomplishing this object, and that would most conduce to the public good. And to make known what are the views that I entertain on this subject, and the reasons that can be adduced in support of them, with the hope that they may be productive of some good, is my reason of presenting them to the public.

"The currency of a country, is a subject always important, and in some measure complex: it has now become the great leading question of our times." And the good of all requires that the final disposition of Government in relation to it, should soon be settled, and that too, upon principles well defined, and in general acknowledged by all.

The present unhealthy state of the currency and derangement of our domestic exchanges, demands our attention, and renders it highly necessary for those who have the power to regulate the exchanges, and maintain a sound currency throughout the United States, that they should exercise this power; and in my view, there cannot be any doubt, but that this power is delegated to the General Government. "*That it is one of the necessary and indispensable prerogatives of Government — an obligation resting upon her.*" And to promote the general welfare, Congress is in duty bound to regulate the exchanges and provide a sound currency for the people of the United States. "The right to do it is implied in its power to coin money, to regulate commerce between the States, as it does by promoting navigation under the latter power, by laws respecting vessels, their national character, their crews, medicines, &c., and the examination of steamboats." "It is emphatically implied in the power of Congress to collect and pay out its revenue of some 30,000,000 of dollars in all these states, in time of war and peace." The general opinion of the people of

the United States have always yielded this power to Congress, although there has been some that have always differed, in the manner in which this power should be exercised. All this demands that "Congress should see that there is a currency convenient and of uniform value throughout the Union, and as far as the constitutional power is involved, it is a difference in name only whether the *Agent* be a Sub-Treasury, a Custom House, a Mint, a Bank, or an Exchange Office; "there is a difference in the *character* of the *Agent*, but none in the *nature* of the power."

The accomplishment of one of the principal ends for which Government was established, also demands that Congress should exercise its controlling and regulating power over the currency. Government is an institution ordained by the Supreme Being. It is the *agent* employed by society to protect its interest and promote its welfare. Its first great end is the protection of life, and what pertains thereto; the second is the protection of property; and a Government rightly administered will accomplish these ends. Our currency is a mixed one of paper and specie, which, when well regulated, is the best that can be had. Paper currency possesses no intrinsic value; but being based upon property, it is its representative, and in circulating it costs the possessor its par value — and in all respects, may be considered as property. Now it cannot be denied, that in consequence of the mismanagement or want of proper regulation of our currency, that heavy losses have fallen upon the community; and these unavoidable losses, the natural result of a bad management of the currency, have in thousands of instances, not been in consequence of any fault of the sufferers. Now it is here that our Government has in a great measure failed to accomplish the second great end of government — viz. the protection of property. When the community, in consequence of an unstable and unsound currency, are continually suffering loss of property which no prudence or foresight of theirs can avoid, it is clear that the fault must lie in the management of that currency; and therefore, to fill one of the ends for which government is established, she is bound to regulate the currency, in order to protect, as far as it is in her power, the community from loss by it. Before the use of steam was discovered, or steamboats or railroads were in operation, there was, of course, no necessity of Government passing any laws to regulate them, in order to protect life and property; but since they are employed, such regulation is found necessary. So it is with paper currency, since it is employed by the community, proper regulation of it is found necessary, in order to protect the public against loss by it, and allow the community to receive all the benefits that flow from a well regulated currency. In a civilized and commercial country it is indispensibly necessary that paper currency should form part of the circulation, and one of some kind will in the nature of the case exist; and for such a currency there is a general regulation of it, which in our country properly belongs to the General Government; and a particular legislation in regard to it, which is the creating part of a currency, that more properly pertains to the State Governments.

The currency in its nature being a representative of property, or a medium by which commerce is carried on, to regulate this is to regulate commerce, which the Constitution requires of the General Government; and it is as important that Congress should exercise this power as it is for them to establish and maintain a General Post-Office system.

Several plans, at different times, have been devised and adopted by Congress, but what has been done appears to have been without any salutary effect; and we even appear to be deeper in the mire than ever. It is

to be hoped that we may profit from our past experience, and not again adopt those measures that have brought on the present state of things, but pass such measures as will tend to have a supervisory control over the currency, and be a preventative of a state of deranged exchanges. That which is proposed as a remedy, should always be established upon some principle that is founded in the nature of the subject.

The twenty-six states that now compose the Union, all have the power of chartering banks; this power they wisely reserved to themselves when they framed the Constitution. The banks, of which there are seven or eight hundred in the Union, all have the power of discounting bills or notes, and every note discounted by them adds so much to the circulation, which forms part of the currency of the country. Every such operation of theirs increases the amount of money afloat, and thus what shall be the amount of currency afloat, is left entirely at the will of all the banks throughout the Union: all acting independent of each other, not one knowing the extent of the issues of the others; and none of them governed solely in reference to the public good. Such is, and always has been, the cupidity of man, that invariably there always will be danger of a redundant currency, so long as the banks are allowed to control it, so as to suit their own separate interest. Every unnatural expansion is always succeeded by a sudden contraction, which is sure to be followed by bankruptcy, ruin, a depreciated currency, deranged exchanges, and a host of other evils. Now these evils should be guarded against; considering all things, it is very unsafe, and exceedingly unwise, to leave the regulation of the currency entirely with the banks. They never will, nor can, as they are constituted, guard us against excessive expansions and contractions, which are so productive of evil. The General Government alone can effectually do this throughout the United States. Hence arises the necessity of the establishment, by Government, of some institution that will be above the banks, and independent of them; that will not be engaged in the same business or operations, and therefore will not be liable to be entangled in its operations, in its maintaining a supervisory control over the currency, and in regulating the exchanges, which shall be its legitimate business.

That system of leaving the currency to be fluctuating, at the discretion of any body whatever, is productive of many evils. That doctrine put forth by some, that "the least possible regulation of the currency, will produce the least possible disorder," is false in theory and ruinous in practice; and this is true not only in regard to the currency, but when applied to moral and political governments. So long as the currency is not under proper control or supervision, it will be mismanaged, to the great injury of the community; and in the end it will be found, that improper regulation of the currency, and none at all, amount to about the same thing.

Taking therefore a central ground, I reject those views that are held by one part of the community, viz.: that it is not the duty of Government to regulate the exchanges, and maintain a sound currency; but that these things be left to take care of themselves; the arguments adduced in support of which, are about as sound as may be advanced in favour of a state of anarchy; or that the welfare of this nation would be as much promoted by leaving all legislation to the several states, and having no head or General Government.

Neither am I prepared to adopt those views advocated by others, that the General Government has the power, and it is its duty, not only to maintain a sound currency and regulate the exchanges, but to create a currency and supply the means of commerce by chartering a National

Bank of circulation, discount, and deposit. But the grounds taken here, as to what is the power, duty, and most expedient course of Government in regard to the currency, are set forth in the following plan,—

Which is, that Congress shall establish a National Institution, which shall have power to make collections of notes and drafts, negotiate bills of exchange among the several States, and in general to conduct the exchange operations of the country. Its exclusive employment shall be that of providing a sound, legitimate, uniform, and convenient currency throughout the United States, and regulating domestic exchanges; and in being the Fiscal Agent of the Government, it shall also collect, keep, and disburse the public revenue, as Congress or the Treasury Department shall direct.

This Institution shall be prohibited from discounting notes and drafts, or loaning money, and also from receiving money on deposit except Government funds. And all State and private Banks, and corporate companies of circulation, discount, and deposit, shall be prohibited from dealing in exchange, and shall be confined to circulation, discount, and deposit.

A more detailed account is now given of the principal provisions of this plan, in order more clearly and perfectly to explain it, and the *principles* upon which it is established.

Article 1. Congress shall establish a *National Institution* to be called the *United States Exchange Office*, which shall consist of a General Exchange Office, located in the city of New-York, or at Washington. And the General Exchange Office shall have Branches established and Agencies employed in different sections of the Union, wherever Congress or the Board of Directors shall deem necessary, to promote the objects of the Institution.

Note.—The principal reasons why the General Exchange Office should be located in the city of New-York, are because "it is the centre of exchange, both domestic and foreign, the point to and from which every financial negotiation tends, and where the wants of the money market are always best understood."

Art. 2. The general concerns of the Exchange Office shall be superintended by an officer to be styled Exchange Officer General, two Assistants, and a Board of Directors consisting of —— men, and who, together with the Superintendents of the Branches, shall be appointed in the usual way by the President, with the advice and consent of the Senate. The qualifications that shall be deemed necessary for the officers of this Institution, are, that they shall be men of known integrity and moral purity, and as a general rule men that are acquainted with mercantile transactions; and they shall also be required to give several bondsmen for the faithful discharge of their trust. This Institution shall be under the control of Congress, its affairs subject to investigation by them; and it being *national* in its object, *the superintendence of its concerns, or of the Exchange Department, shall be considered one of the duties of Government.*

Art. 3. The Exchange Office shall have the power of collecting all notes and drafts, negociating all bills of exchange on different places throughout the Union; and it shall also have the privilege of dealing in foreign exchange, so far as it relates to the wants of Governments, and is necessary and connected with it in its business of regulating the domestic exchanges. This Institution shall be made the general medium of exchange throughout the United States, as the Post Office is the general medium for the transmission of letters and papers.

Note. — The power here given to the Exchange Office shall not be considered as prohibiting private persons from engaging in the operations of exchange.

Art. 4. The Exchange Office shall be prohibited from discounting or purchasing promisory notes or drafts, and from receiving money on deposit, except specie for safe keeping and transmission, and in neither case without some charge, that no interferance should conflict with the legitimate business of well regulated State and private Banks. And all State and private Banks shall be prohibited from dealing in exchange.

Art. 5. The Exchange Office shall fix the rate of exchange upon all States and commercial places of note in the Union. It shall make its exchanges on other places in the usual way, by drafts from the General Exchange Office and branches, on other branches and agencies or banks where it has funds.

The rate of the exchanges will be regulated by the demand and supply; and the Exchange Offices will in a great measure be supplied by the notes and drafts, payable at different places, that will be voluntarily deposited in them by individuals for collection; and the banks that have discounted notes and drafts on distant places, will also transfer them to the Exchange Offices for collection.

The original cost of exchange to the Exchange Office, with charges to defray its expenses, which charges shall be a moiety or small per cent. on the amount of exchange, shall constitute the rate of exchange. But the rate of exchange shall not exceed the cost of transportation of specie, which the Exchange Offices shall do when it cannot supply the demands for exchange.

Art. 6. All State and private Banks, whose bills furnish part of the circulating currency of the country, shall, at those branches or agencies of the Exchange Office that are located at the centre of trade in the same section of the country as the banks, or are deemed most convenient for them, *redeem their bills*, or *balance* whatever accounts may be against them, that have risen in the exchange operations of this Institution, or what may be against them from other banks in the same section of the country which make the same branch or agency of the Exchange Office the general place of redeeming their bills, or balancing their accounts among one another, as is now done by the Suffolk Bank, at Boston, for all New England.

Art. 7. The Exchange Office shall require all banks to balance whatever accounts may be against them, once in seven days, or as often as the Board of Directors judge necessary. And if any bank, after due time and notice have been given, fails to balance whatever accounts may be against it at the Exchange Office which is made the place of settling the accounts of that bank, public notice of the fact shall be given immediately, to guard the public against such a bank. The Exchange Office shall refuse to credit the bank, or take its bills, so long as it refuses to redeem them; and the bank shall also be proceeded against by law, as an insolvent institution.

Art. 8. The Exchange Office shall have the privilege of issuing bills of circulation, made payable on demand; none to be of a less denomination than five or ten dollars. *These bills shall be issued only in the legitimate exchange operations of this Institution; and the amount to be issued must be limited by Congress to the amount actually required to carry on the exchange operations of this Institution.* These bills shall be in the name of the "United States Exchange Office," made payable on demand, and receivable at places where issued for public dues. They shall be signed by the Exchange Officer General and one of his assistants, and countersigned by the Superintendents of the respective Branch Offices where they are issued.

Art. 9. In times of great expansion of the currency, or when the Board of Directors shall judge that there is more than the legitimate wants of the community require, then they shall require the banks to settle their balances the oftener, and the Exchange Offices shall restrict their issues as much as possible; but when the reverse is the case they shall pursue an opposite course.

Note.—Under the operation of such a system of exchanges as this plan proposes, there would not be much danger of a redundancy of the currency, for what the wants of the community did not require, the banks would soon find returned to them.

Art. 10. The bills of circulation issued, or the currency emitted by all legally chartered banks in the United States that are deemed sound and worthy of confidence by this Institution, shall be acknowledged by the different Exchange Offices throughout the United States, and received by them in all payments made to them, and this shall be done upon the following terms: The bills of all those banks that make a Branch Exchange Office the general place of redemption, shall be received at that Branch Office at par value; and the bills of all other banks shall be received at that office, and valued when received according to the then existing rates of exchange between that Branch Office and the section of the country where the bills were issued. In this manner shall the bills of the banks of the United States be received by all the different Exchange Offices. The bills so received will be returned to the Branch Exchange Office in the same section of the country where they were issued, and there will be redeemed by their respective banks.

Art. 11. The Exchange Officer General and Board of Directors shall quarterly, or as often as Congress shall direct, make a report on the currency or of its exchange operations, and the rate and state of the exchanges throughout the Union.

Art. 12. The receipts of the Exchange Office that are over and above its expenses, shall be paid into the Treasury of the United States, after a certain amount, say one and a half million of dollars, has been set aside to constitute a fund to meet any loss the Exchange Office may have to sustain from the banks. But on the other hand, should there be a deficiency in the receipts to pay the expenses of this Institution, the deficit shall be made good out of the Treasury of the United States, as is now done in the Post Office Department.

Note.—Any person acquainted with the immense amount of business that is carried on between the North and South, the East and West, and consequently the large amount of exchange business transacted, cannot have much doubt but that this Institution, even at a small charge on exchange, would be more than able to meet its expenses.

Art. 13. The Exchange Office shall, without charge to Government, collect, keep, and disburse the public revenue, as Congress or the Treasury Department shall direct.

Art. 14. Upon the establishment of the Exchange Office, Congress shall appropriate four or five millions of dollars in specie, (or the amount judged necessary,) to be employed as a capital to aid in the exchange operations of this Institution, and to carry out the provisions of this act.

In this plan are embodied the views I entertain, in regard to what is the proper remedy for the evils that are connected with our currency; and it becomes me now to give some of the most prominent reasons that are in favor of an Exchange Office on this plan, and also to make some remarks, that its operations or its effects on the currency may be more fully understood.

Intrinsic value does not necessarily enter into the nature of currency; it is necessary that it should be sound, uniform, and convenient. If it is a paper currency, the full amount for which it purports to be should always bo sustained at the constitutional value of gold and silver.

The twenty-six States that compose the Union all have the power to charter banks and create a currency. This power they appear to possess alone, and on the formation of the Constitution it was wisely left to them. But the currency that one State creates, circulates in other States; some of it is good, and some of it is unsound and depreciated. Some States may, and as they have done, try to prohibit the circulation of the currency of other States within their own bounds, but this has been tried and cannot be prevented.* The currency of no one State can be confined to the State that created it; for such are the operations of trade and commerce, that the issues of one State will be carried and circulated in other States, until the currency gets so depreciated that it does not circulate in its own State, and when it arrives at that condition, it ceases to perform the functions of currency. If, then, one State cannot protect itself from the local currency of other States, either depreciated or not, and as no State can have power over the legislation of other States, to control or correct the abuses that may exist in the currency of other States, who then is there to protect the inhabitants of one State from the depreciated circulation of other States? Who will see that that which is issued as currency by the banks, is constantly maintained at the constitutional specie value? The States have not and cannot do this; the General Government can alone do it. This power rightly belongs to her. She must exercise that general legislation over the currency of all the

* In the acts of some States to prevent the circulation of small bills of other States.

States, as she does over other matters committed to her care. She must give to that currency, emitted by the banks and which is now purely local, a national character.

The establishment of an Exchange Office on the foregoing plan, would truly nationalize the currency. And if we are a united people, possessing equal privileges and a common interest, and if the inhabitants of one State can have unrestricted commercial intercourse with the inhabitants of other States, it is absolutely necessary that we should have a national currency — that our exchanges should be so equalized that no restrictions should be laid upon our commercial intercourse. This has always been the opinion of our greatest and most enlightened statesmen, and commercial men, and pretty generally of the whole community, although there has been always a considerable difference of opinion of the way in which this should be accomplished.

The experience of the past, and the history of paper currency shows the fact, that when the payment of the issues of a paper currency are ultimately secured, but not redeemed in specie, or made payable on demand, they will circulate at their par value, *provided* the amount of these issues are limited to the actual wants of the community. But, on the other hand, when the payment of these issues are undoubtedly secured to the holder, but not redeemed in specie or payable on demand, they will depreciate in value when they are more than the wants of the community require, and that this depreciation will be in proportion to the redundancy of the paper currency. It also shows that when the currency is more than the legitimate wants of the community require, or has become redundant, it may, for the time being, be sustained at a specie value; and while this currency is so sustained, it will unduly enlarge all the business operations of the country, induce a spirit of overtrading, and generate speculations of all kinds.

The great increase of banks and currency for the last ten years, is the principal cause, (more so than the great reduction of duties on foreign goods,) why our imports have so much exceeded our exports. This overtrading spirit is always induced or brought on by a redundant state of the currency. "Such a currency greatly enhances the price of all commodities, both foreign and domestic;" "foreign commodities soon flow to the market where high prices are obtained, while the rise in the price of domestic products prevents their profitable exportation; and from both these causes, a balance rapidly accumulates against the country." "To state the same causes in other words, When money is plenty, importations are large, and exportations small; where money becomes scarce, importations are diminished and exportations revive."

A redundant currency is opposed to Home Industry; it tends to counteract any protective duties that may be laid by Government, while it unduly favours all foreign commodities. It tends to impoverish the country while it enriches foreign nations. Such a currency is followed by a deprecited one, deranged exchanges, and much pecuniary distress. That way should be resorted to, if there is any, that will protect us from such a currency so pregnant with evils, without running into the opposite extreme of an entire specie currency, (if that is possible,) which is equally as bad if not worse than the other.

The balance of trade or exchange that is against a country, or section of the country, is the same as an equal amount of floating debt, payable on demand, and which always has to be paid in the productions of the country sent forward, or in gold and silver. The banks, to increase their profits, expand

the currency; and having expanded it, will aim to keep their issues out. But one of the first causes that will oblige them to contract, will be the balance of trade that will be against them, or the demands on them for exchange. These demands they will try to keep off or put back, by temporary expedients, such as opening credits on banks in the creditor section of the country, making loans, drawing bills of exchange on their credits, anticipating the products of the country that are to go forward, by such means for the time being they may be able to supply the demands for exchange; but any one can see that by such means they do not reduce the balance that is against them. But on examination it will be found, that this balance has been all the while increasing in consequence of the continued redundant state of the currency. Soon this accumulated floating debt returns upon them, but they being no longer able to meet it by drawing bills of exchange upon their credit, or against the products of the country that are to go forward, are obliged to meet these demands in specie; and this produces a rapid contraction of the currency by the banks, panic, failures, suspensions of specie payments, rapidly ensue. Immediately specie rises apparently in value, while in truth it is the paper currency that depreciates. Foreign debts are paid according to the standard specie value, while domestic debts are paid and received according to the depreciated paper value. The exchanges rise to an enormous rate, for the specie which ought to go forward, and which, if allowed to, would in part keep the rate of exchange down, is now all locked up in the banks. The enormous rate of the exchanges, rising as it has done in some sections of the country as high as 25 or 30 per cent. premium, which is equivolent to an equal depreciation of the paper currency. And the heavy loss that in consequence falls upon the community, produces complete prostration of credit, bankruptcy and ruin; and this loss falls upon the creditor as well as the debtor section of the country, when in justice it ought to have been sustained by the banks in the debtor section of the country.

The evil, as will be seen, mainly lies in the exchange or floating debt that is against a section of the country, or the banks, not being returned upon the banks as soon as contracted, which, if it had been done, would have held them in check, and prevented the accumulation of exchange, which caused their failure.

The redundant issues of the banks will never be returned to them, so long as they are allowed the whole control of the currency. They will always be interested operators in the currency and exchanges; and what they may consider as their interest, will not coincide with the public welfare.

The banks should not, therefore, be allowed to deal in exchange; the exercise of this power, by them, gives to them the whole control of the currency, the power to expand and contract at their pleasure. Here, I consider, lies the root of the evil, the radical error that exists in the present system of banking, as carried on in this country. It cannot be doubted but that commerce will always be carried on with every section of the country throughout the Union, and consequently there must always be a large exchange business transacted. This business will principally be carried on by the banks, and we cannot prevent them by any simple prohibitory act of legislation, until we provide a substitute — a better medium through which the exchange operations of the country may be carried on. Leave to the banks the unlimited power they now have, of dealing in exchange, and we may expect as the natural result, that revulsions in commerce will be followed by others more disastrous — that suspension of specie payments

with all its concomitant evils will be periodical. In vain will be the penalties of forfeitures of charters, compulsory bankrupt laws, including banks, and all other prohibitory measures to prevent a suspension of specie payments. Suspensions will come, and stern necessity will compel those banks that have conducted their affairs with prudence, to yield to such an act, as well as those that have not. It is in vain for us to suppose that we can prevent the effects, so long as we allow the great cause to remain; and until that is removed, we shall have to endure its evil consequences.

Most of the banks, that have dealt in exchange, have derived great profits from that source, by the enormous rates that they have charged, which is like laying so much restrictions upon commerce. Therefore, taking all things into consideration, the business of exchange cannot be regarded as a legitimate business for banks of circulation, discount, and deposit. The most ruinous fluctuations of the currency, have been caused by the banks, and not by natural causes. So long as they have the control of the exchanges, they will not let them take their natural course; they never have, and as they are constituted, never can regulate the exchanges, upon a a true and natural basis.

It does not argue much wisdom in those who condemn banks and paper currency indiscriminately; and say that they are unneeded by, and injurious to the community. I would not here condemn them, but simply prohibit them from dealing in exchange, and in doing this we take away a power that does not properly belong to them, and is not necessary for their existence or welfare; and which so long as it is in their hands is not productive of any good, but of much evil. They can derive no authority for this power from law or constitution, any more than they can for discounting notes out of the State in which they were chartered. This power they first exercised, from the necessity of the case, and time and usage has conceded it to them. But by taking this power out of their hands, and confining them to circulation, discount, and deposit, we make them more truly and really useful institutions. They will then prove a benefit to the community, and be equally as able, to aid commerce and manufactures, and develop the resources of the country; and this without possessing the power they now have of abusing the privileges that they now hold in their hands.

"Commerce, in its most general sense, implies the exchange of commodities for money." Our currency is the medium through which our commerce among one another is carried on. The exchanges is the only means of controlling or regulating and maintaining a sound currency; and the proper regulation of the exchanges, is therefore, the most effectual means of regulating commerce among the several States, which the constitution requires of the General Government. This clause in the Constitution necessarily implies, or includes the power of regulating the exchanges among the several States. So intimately connected is this power with that of commerce, that, so long as the General Government does not exercise its power over the exchanges, it will be impossible for her to regulate commerce among the several States, or see that all the States in their commercial intercourse with one another, stand upon an equal and uniform basis. Therefore, the nature of exchange business itself, renders it proper, and the requirements of the Constitution make it a duty for the General Government to regulate the exchanges.

Hence from these causes arise the necessity, of the establishment by Government of such a system of exchanges, that the issues of the banks, over and above the wants of the community, should be returned to their respective banks. An Exchange Office, established on the foregoing plan, would accomplish this object. Under such a system, working as it does

antagonistical to the banks, it would effectually hold them in check. It would remove that danger that now at all times exist, of an expanded currency, followed by a contracted and depreciated one. It would deliver us from that feebleness that now exist in the currency, and preserve to us one sound, uniform, and sufficient for all the wants of the community.

An institution established by Government, having the power and privileges, and containing the main principles that are embodied in this plan, would posses a superiority over any National Bank that could be chartered by Congress to regulate the exchanges, and maintain a sound currency, and perform the duties pertaining to a fiscal agent of Government.

A National Bank chartered by Congress, with power to establish branches of local discount and deposit, would be infringing on the rights of the States. By being a bank of local discount and deposit, it is necessarily unequal in its operations, and exercises a power that is not granted in the Constitution, and not requisite for the faithful execution of the powers and duties of Government. By the establishment of such a bank, Government would be considered as in part, supplying the means of, and carrying on commerce, which is altogether different from regulating it. And the aid thus furnished, has not hitherto been, and could not in future be expected to be constant in a Government like ours, and it would therefore in the end, tend only to cripple and embarrass commerce.

It cannot be shown that a National Bank of discount and deposit, *is able to control the currency and regulate the exchanges*, so long as there is any other independent bank in the country, that exercises the same powers and privileges that they now do; but conclusive reasons can be given to the contrary, that are verified both by the experience of this and foreign countries. "It has often been the subject of surprise, that the Bank of England, with the limited circulation of that country, is unable to control the currency; but on examination it will be found, that every precautionary measure, on the part of the bank, is invariably counteracted by the increased expansion of the competitor institutions." And this, in a degree, has been our experience in this country. A National Bank of discount and deposit, instead of always being able to maintain a supervisory control over the currency, will itself be controlled by circumstances and exigencies of the times.

It cannot be shown that a National Bank of large capital, is necessary to aid commerce. It is evident that when the capital of the country is most widely disseminated, then commerce, manufactures and agriculture are best aided, and the resources of the country most effectually developed.

"It is the avowed experience of the Bank of England, and preëminently known to the intelligent merchants of this country, that the commercial world is much more liberally and efficiently aided and assisted by private bankers of real capital, than any public institution of any description can possibly afford." On examination it will be found true in respect to our country, that the banking institutions of our country of small capital, have given more aid to commerce and manufactures, in proportion to their capital, than the old United States Bank.

A National Bank, where the stock is owned and its operations controlled in part by private persons, it would not be governed by them solely in reference to the public welfare; but they would seek to make their investments prove profitable, to aggrandize their institution, and make it superior to the other banks of the country; its tendency undoubtedly would be not to uphold, but to weaken and destroy all other sound banking institutions whose interest clashed with theirs. It would tend to advance the interest of one section of the country at the expense of another.

Since the adoption of the Federal Constitution by the States, the consti-

tutionality, the expediency, and the effects of a National Bank has been a question that has generally divided the citizens of the United States into two parties; and judging from the past, we can never expect to see the people of the United States united on it as a public measure. And in view of all the considerations that may be alleged in its favor, it would still seem to be impolitic and unwise to press it upon the country. It would destroy that patriotism, union, and good feeling that ought to exist among us as a united people, possessing equal privileges and a common interest. Such a measure will ultimately prove a rock, upon which the party that passes it will break in pieces; for every evil, real or imaginary, will be charged upon it, and as a National Bank will often conflict with private interest, it will make more enemies than friends, and this, together with the strong political opposition to it, will be more than any party can withstand.

By the provisions in the sixth article of this plan for an Exchange Office, it will be seen, that the banks in a certain section of the country, are required, at the branch or agency of the Exchange Office in that section, to redeem their bills or balance their accounts among one another; each bank exchanges what bills it may have of other banks for its own. The banks are also required to meet the balances that may accrue against them, in the operations of the exchanges. These balances, as often as settlement is made, will have to be met with specie. And there can be no doubt, that when these balances are often settled, that the specie in the banks in every section of the country, will be sufficient to meet all balances, without ever being under the necessity of resorting to a suspension of specie payments, except when caused by a successive failure of the products of the country, or by some providence of the Supreme Being, and when such is the case, the cause will clearly be seen, and will have its designed effect.

Whenever the exchanges rise against any section of the country, the demand for exchange will first be made upon the Exchange Office, located at the centre of trade in that section; and every bank redeeming there, will bear its just proportion of this demand, and this being borne by many would fall heavy upon none. Let the sixth article of this plan be fully carried out, and the banks would be held in check. They would find it difficult to keep out their issues, more than the legitimate wants of the community required, and all their wants would be supplied with a sound and uniform currency, for what they required would not be returned to the banks. It would prove a great benefit to the people, for it would have a most salutary effect upon the currency, as has been the case with the voluntary arrangement entered into by all the banks of New England, of redeeming their issues at the Suffolk Bank at Boston.

An institution on the plan which I advocate, being restricted from receiving private deposits, discounting promissory notes, or engaging in any commercial transaction, which would entangle it in its operations, or that would in any way prevent its freedom of action, beyond its measures of regulating the exchanges and maintaining a sound currency for the United States; it would always be able to maintain its supervisory control over the currency, and be prepared to meet every demand of the money market, without being compelled to contract its circulation, in periods of commercial distress, and will also have power to hold the banks in check, to prevent a redundancy of the currency. The banks also would be careful not to engage in any transactions that would prevent them from redeeming their obligations at the Exchange Office, for a failure to do it, would destroy all the confidence of the public in them, and the effect might prove to be the end of their existance.

If it should be objected, that an institution on this plan would reduce the

profits of the bank, especially those that were engaged in exchange operations, one answer would be, that as banks of discount, they would be less liable to loss, and the business they did would be safer than it is at present, and therefore in the end their profits would be as much or more than at present. It is well known that the banks have greatly, and most perniciously, abused the privileges that they have had, not only in expanding the currency, but also by the exorbitant rate of exchange which they have charged, even between those sections of the country where the balances were about equalized. They have monopolized the exchanges, and fixed high nominal rates; their rates being the highest which they could obtain, and not fixed according to the true state of the balances. A fixed duty, at the maximum rate of exchange, could not have produced more mischief than the uncertain, fluctuating, and atbitrary rate of exchange which the banks have charged. Yet, while the banks have filled their coffers, and fleeced the community by their exchange operations, on the one hand, they have had, in consequence, on the other, to sustain heavy losses in their line of discounts. Another answer why the change proposed should be made is, that the public welfare requires it, and that which is for the general good, should be adopted, even at the expense of private interest.

The privilege of issuing bills will give the Exchange Office more control over the currency and the exchanges. It would add very much to the convenience of the Exchange Office in conducting the exchange operations of the country; and it would be less expensive, for it would dispense with a large cash capital, that otherwise would have to be paid in by Government, to conduct the exchange operations of the country. Its issues being limited in amount, made receivable in all payments, payable on demand, and the payment constantly and undoubtedly secured, and the bills being so guarded, as to prevent any successful attempts at forgery, would possess undoubted credit, and meet with ready circulation. And although its circulation might not be a tithe of the circulation of the country, yet its tendency would be, to make the general circulation of the country conform to it in character; and this would be one great cause that would tend to nationalize the general currency. The Exchange Offices will give credit to the bills or issues of all the sound banking institutions in the United States, by receiving them in payment of drafts, in the collections of notes, and in all other payments made to them; the bills so received will be returned home to their respective banks, for redemption, as will be seen in the tenth article of this plan. This continual operation of the Exchange Office, will tend, more than any thing else, to give a national character to the general currency of the country.

The Exchange Office would, in my opinion, regulate the exchanges upon a true and natural basis, preserve to us a currency that would be more permanent and undoubted in its character, and less liable to fluctuate, than it has heretofore been. It would be simple and self-acting in its operations on the currency and exchanges; it would require no regulator over it, for it would regulate itself.

The community would possess undoubted confidence in the bills of exchange it furnished, for they would be as good or better than any bank could possibly afford.

The Exchange Office, conducting the exchange operations of the country, would always know when one part of the country was in debt to another; and its tendency would be to prevent the accumulation of exchange against any section of the country, and thereby promote the interest of all.

This institution would build up no one State or section of the country, at

the expense of another; and the benefits and privileges that may arise from it, would be enjoyed equally by all; for all notes and drafts that are offered for collection at an Exchange Office, and made payable at other places, would be received equally as free from all, as letters for transmission are received at the Post Office.

The Exchange Office's quarterly reports of the state of the currency, and the rate of the exchanges throughout the Union, would give confidence to the public mind; and they being always able to comprehend the natural causes of occasional changes, would see when to contract or enlarge their operations with intelligence.

The Exchange Office, being controlled by Congress, its affairs will not be administered for the advancement of any private interest, but solely in reference to the public welfare. Unlike a National Bank, it will have no motive to destroy the sound banking institutions, but rather to preserve and sustain them; and it will discard or point out to the public those that are feeble or unworthy of their confidence. And as the profits of the banks engaged in the exchanges are the greatest when the exchanges are deranged, so an Exchange Office on the preceding plan would, unlike an Exchange Bank owned and controlled by individuls, have no desire for a deranged state of the exchanges, or motive to demand exorbitant rates. It cannot be considered proper, that the exchange business of the country should be placed into the hands of any corporate institution, to be conducted by them as a source of profit. A Government Institution, would be received with more favour by the people, and meet with better success than a corporate one; the cry against corporations and monopoly could not be raised against it. If we commit this business into the hands of a corporate company, it is not to be expected that they will take as much care to advance the public welfare as they will their own interest; private individuals will not invest their capital for any other end than to advance their private interest, or make their investments prove profitable. If it is considered proper for Government to establish a corporate company to accomplish the object held in view here, why is it not much more proper for Government to take the matter in hand herself, especially when she can do it much better, and give general satisfaction? It is certain that she cannot lack the means!

The Exchange Office would be the active agent of commerce; it would furnish facilities for trade; it would extend and promote it throughout the United States, and enable the inhabitants of every section of the country to get quick returns, and without loss for their products or merchandise sent forward. It would bring the Government closer to the people, and unite them inseparably together, by showing conclusively that she takes an interest in their welfare. It would be popular, for Government would be exercising a controlling and legislative power over a subject that properly and necessarily belongs to her.

The Exchange Office would be adapted to the wants of the country and the nature of our institutions; it would not infringe on any of the reserved rights of the States; and it would be in accordance with the spirit of the Constitution, for that makes it the duty of Congress "To regulate commerce among the several States," and also, "To pass laws that are necessary and proper to carry into execution the powers and duties vested by the Constitution in the Government of the United States." It would, like the Post Office system, grow with the growth of our country, and like that system add to and strengthen the bonds that bind the Union together.

Holding the opinion that the General Government has full power to main-

tain a supervisory control over the currency and regulate the domestic exchanges; that it is a power that rightly belongs to her—a duty incumbent upon her which she alone can properly exercise; therefore, in the performance of this duty and the use of this power, in order that the object had in view may be effectually accomplished, it should be exercised upon the principle of treating us as one great *whole*, and not as so many *parts*; of being influenced only by those natural divisions that are acknowledged by the business or commerce of the country, and not by the lines or divisions that bound the States, which are arbitrary and conventional, and in many cases not the natural divisions of trade, any more than the lines or divisions influence Government in carrying out the Post Office system.

An institution on the plan here recommended would be most fitted to act as the Government's *Fiscal Agent* to collect, keep, and disburse the public revenue; it would not only be a responsible depository, but fully competent to perform the duty assigned to it. It would most effectually supercede the Sub-Treasury system, that was adopted by one Congress and rejected by the people; an objection against which is, "Its utter omission of all concern with the general currency of the country;" its operations are conducted without any reference to the effect it may have upon the currency or the exchanges of the country. To say nothing of other objections to it, this is enough to condemn it.

An institution established upon the plan I here recommeded, would be one on which persons of conflicting opinions could unite; and which, to be adopted, would equally require concession and compromise from the two ruling parties in the United States; for while one party yielded the opinion that Congress had no power, and therefore nothing to do with the currency; the other would have to concede their opinion of the constitutionality and expediency of Congress chartering a bank of discount and deposit, whose capital would be employed out of the District of Columbia.

A favourable opportunity has now arrived, as I conceive, of presenting this plan of a General Exchange Office, which was drawn up more than a year since, to the consideration of the public. The conclusions to which I have arrived, have been the result of much inquiry and reflection, upon the history and nature of the currency, and our past experience in relation to it. In my inquiries, wherein lie the evils that exist in our currency, my great aim has been to arrive only at the truth; and in proposing a plan, have sought one that would be in accordance to the well known principles that govern the currency and exchanges, and one that would be adapted to the existing state of our institutions. The Suffolk Bank system, that is in operation throughout New England, has been adopted as the foundation of the system of exchanges, in the plan here proposed, as I consider that as the most perfect system of banking now in operation; a system that is good in theory, and works well in practice, as the successful experience of seventeen years proves.

It becomes the statesmen of our country, one and all, to examine into the truth of these things, free from all party considerations, in order that there may be a united and decided action upon some measure that will relieve the wants of a *waiting people*, now suffering under many evils that flow from our currency.

By using that liberty, which we all in common possess, of making known our views and opinions on any question of public policy, this plan of a General Exchange Office, to be established by Government, is submitted to the consideration of the *Public*.

New-York, Sept., 1841.